

RUBIN AND RUDMAN LLP

COUNSELLORS AT LAW

50 ROWES WHARF ? BOSTON, MASSACHUSETTS 02110-3319
(617) 330-7000 ? FACSIMILE: (617) 439-9556 ? FIRM@RUBINRUDMAN.COM

Andrew J. Newman
Direct Dial: (617) 330-7031
E-mail: anewman@rubinrudman.com

September 12, 2003

Ms. Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, Second Floor
Boston, MA 02110

Re: NSTAR's Motion for Reconsideration/Clarification - DTE 01-106

Dear Secretary Cottrell:

Blackstone Gas Company ("Blackstone") files this letter in response to the Hearing Officer's Memorandum dated September 2, 2003 requesting comments with reference to the Motion for Reconsideration (in part), or in the alternative, Motion for Clarification concerning the Department's August 8, 2003 Order in this proceeding filed on behalf of the NSTAR Companies (Boston Edison Company, Cambridge Electric Company and NSTAR Gas Company).

Blackstone fully supports the Motion of the NSTAR Companies for reconsideration and/or clarification of the Department's Order of August 8, 2003 for all the reasons set forth in the Motion.

In addition, Blackstone as a small gas utility is very sensitive to the rate impact of any significant increase in the penetration level of low-income discount rates. Blackstone indicated in its initial comments in this proceeding filed on January 24, 2002 the following concerns, which bear on the Motion.

"Cost impacts of increased penetration levels.

The Company estimated the penetration level of its low-income rates based on the experience of North Attleboro Gas Company. *Id.* at 34. The Department found this to be a reasonable basis to estimate the projected penetration level and the resulting short-fall.

If the Department modifies the outreach efforts required of LDCs, the reliance on past history of North Attleboro Gas Company would no longer be a reasonable estimate of the low-

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income penetration level for the Company. The number of customers that enroll in the low-income rates could increase significantly.

The Company in its rate case requested that the Department allow it to defer recovery of low-income discounts in excess of the amount estimated from the projected penetration level either as part of Blackstone's next base rate case or through the LDAC. The Department rejected this request. The Department stated: "In setting base rates, the Department does not ensure dollar-for-dollar recovery by a utility of its costs and expected profits. Rather, rates reflect a representative level of expenses and provide a reasonable opportunity to earn the allowed return. (Citations omitted.) *Id.* at 34. While G.L. c. 164, §1F(4)(i) is only applicable to "distribution companies" which by definition is a company engaged in the distribution of electricity and thus not a gas company, it is instructive to note that the statute provides that "[t]he cost of such [low-income] discount rates shall be included in rates charged to all other customers of a distribution company."

In this proceeding the Department may increase the outreach required of LDCs which will increase the penetration level and the resulting cost of subsidies. In that event, the reliance by the Company on the actual penetration history of North Attleboro Gas Company would understate the actual low-income penetration levels in the future. The Company should be allowed to recover low-income subsidy costs over and above the original penetration level used to design rates in the LDAC or be allowed to defer such costs until the next base rate case. The Company should not be left to recover these additional costs only through a costly base-rate filing or not at all. The Department should recognize incremental costs mandated by its rulings in this matter."

The Department established in its August 8th Order a second phase investigation into recovery of incremental costs from the proposed implementation of the computer-matching program with an initial technical conference to be held on October 9, 2003. Blackstone agrees with the NSTAR Companies and urges the Department not to make any change in the enrollment policies for low-income rates before the cost impacts of the program are known and a cost recovery method is established. Failure to create a proper cost-recovery mechanism that will allow utilities to recover the additional costs mandated will have a significant adverse effect on Blackstone.

Very truly yours,



Andrew J. Newman

AJN:cad
cc: Michael Killion, Hearing Officer (12 Copies)
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